



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR 1 2004

Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 1100-001-0001 and Reimbursements, Support, California Science Center

It is requested that Item 1100-001-0001 be amended by reducing Reimbursements by \$1.0 million. This is a technical correction to reflect the completed expenditure of bond funds provided to the African American Museum in the Budget Act of 2000.

It is also requested that 3.0 positions eliminated pursuant to Government Code Section 12439 be restored for the California African American Museum.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jennifer Osborn, Principal Program Budget Analyst, at (916) 445-8913.

DONNA ARDUIN
Director
By:

for MICHAEL C. GENEST
Chief Deputy Director

Attachment

cc: On following page

APR 1 2004

-2-

cc: Honorable Dede Alpert, Chair, Senate Appropriations Committee
Attention: Ms. Anne Maitland, Staff Director
Honorable Richard Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Jeff Bell, Fiscal Director
Honorable Judy Chu, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Rick Keene, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Joseph Dunn, Chair, Senate Budget and Fiscal Review Subcommittee No. 4
Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. George Valverde, Undersecretary, State and Consumer Services Agency
Ms. Charmaine Jefferson, Executive Officer, California African American Museum

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Honorable Wesley Chesbro, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Items 1110-001-0735 and 1110-001-0761, Support, Department of Consumer Affairs

It is requested that Item 1110-001-0735 be increased by \$187,000 to provide resources to allow the Contractors' State License Board to implement Chapter 744, Statutes of 2002. This bill requires that all new applicants submit to a criminal fingerprint screening.

It is requested that Item 1110-001-0761 be increased by \$229,000 to provide one-time resources to the Board of Registered Nursing which will allow the Board to respond to litigation that has been filed against it. This litigation is likely to be precedent-setting, as it would determine the Board's ability to require out-of-State nursing schools to comply with California law.

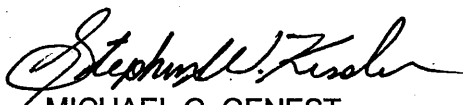
The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jennifer Osborn, Principal Program Budget Analyst, at 445-8913.

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for MICHAEL C. GENEST
Chief Deputy Director

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. George Valverde, Undersecretary, State and Consumer Services Agency
Ms. Charlene Zettel, Director, Department of Consumer Affairs
Mr. Gary Weitman, Chief, Office of Administrative Services, Department of Consumer Affairs

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Senate Budget and Fiscal Review Committee

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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Various Budget Bill Items and Reimbursements, Support, Franchise Tax Board (FTB)

Phase III Occupancy Costs—Issue 111

It is requested that the FTB's budget be augmented by \$6,467,000 as follows:

- 1730-001-0001: \$6,046,000
- Reimbursements: \$259,000
- 1730-001-0044: \$27,000
- 1730-001-0064: \$50,000
- 1730-001-0242: \$85,000

This will provide funding for ongoing maintenance and operations for the FTB's new State office building complex (known as Phase III) approved by Chapter 328, Statutes of 1998 (SB 1589).

Central Processing Unit Augmentation—Issue 113

It is requested that Item 1730-001-0001 be increased by \$1,013,000 to provide funding for increased computer processing capacity and memory. This augmentation will allow the FTB to meet projected capacity requirements and maintain acceptable performance levels for 2004-05 through 2006-07. During the 2003 tax-filing season, the system reached 98 percent capacity. Industry standards recommend 90 percent capacity, which allows for a 10 percent buffer. Based on projected growth, the system will be at 101 percent capacity in 2004-05.

Abusive Tax Shelters Consultant Services—Issue 114

It is requested that Item 1730-001-0001 be increased by \$400,000 to provide funding for contracts with tax shelter experts whose expertise will assist the FTB in identifying and sustaining assessments for abusive tax shelters and in understanding overseas financial markets. FTB staff do not yet have sufficient experience in this area. The FTB indicates it needs assistance and training to identify and analyze complex abusive tax shelters. The Internal Revenue Service has also found it necessary to contract with experts in this field. This augmentation would result in an estimated \$11 million to \$14 million General Fund revenue increase (\$138 million to \$184 million total through 2008-09), over-and-above what the FTB is estimated to collect without these expert consultants.

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Resident Real Estate Withholding—Issue 115

It is requested that Item 1730-001-0001 be increased by \$575,000 to provide funding for 10.9 PYs for the resident real estate withholding program, which began January 1, 2003. To implement this program, the FTB's 2003-04 budget was augmented by 56.2 PYs, of which 31 PYs were limited-term that expire June 30, 2004. Now that this program has been in place for a sufficient length of time to assess the associated workload, the FTB is requesting to make permanent 10.9 of the 31 limited-term PYs. The FTB estimates that revenue collections for 2003-04 will be approximately \$900 million. Future revenue collections of \$157.0 million will be at risk if these positions are not approved because the FTB will not be able to support critical functions associated with the withholding revenues related to this program.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Matt Paulin, Principal Program Budget Analyst, at (916) 322-2263.

DONNA ARDUIN

Director

By:



for MICHAEL C. GENEST
Chief Deputy Director

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Honorable John Dutra, Chair, Assembly Budget Subcommittee No. 4
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. George Valverde, Deputy Secretary, Fiscal and Operations, State and Consumer Services Agency
Mr. Gerald H. Goldberg, Executive Officer, Franchise Tax Board
Mr. Titus Toyama, Chief Fiscal Officer, Franchise Tax Board
Mr. Mark Shijo, Budget Officer, Franchise Tax Board



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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 1760-001-0666, Support, and Addition of Items 1760-492, Reappropriation, and 1760-495, Reversion, Department of General Services

It is requested that Item 1760-001-0666 be increased by \$12,570,000 and 99.7 personnel years and revised as follows:

- \$435,000 to allow the Department of General Services (DGS) to recover costs for deferred maintenance on the Edmund G. Brown building. Funds were provided within the Public Utilities Commission as part of the Governor's Budget in the fall.
- \$4,770,000 and 28.3 personnel years to allow the DGS to operate and maintain the CalTrans District Seven building. Resources to reimburse the DGS are included in a Finance Letter for CalTrans.
- \$7,365,000 and 71.4 personnel years to allow the DGS to operate and maintain Phase III of the Franchise Tax Board Headquarters. Resources to reimburse the DGS are included in a Finance Letter for the Franchise Tax Board.
- Budget Bill Language to reflect additional oversight for the rate-setting process (see Attachment A).

It is requested that Item 1760-492 be added to the Budget Bill to provide a reappropriation schedule for funding authorized by Proposition 122, the Earthquake Safety and Public Building Rehabilitation Bond Fund of 1990. This item would reappropriate up to \$1,891,259 for three local seismic grants that were reappropriated by Item 1760-492, Budget Act of 2003.

It is also requested that Item 1760-495 be added to the Budget Bill to provide a reversion schedule for funding authorized by Proposition 122, the Earthquake Safety and Public Building Rehabilitation Bond Fund of 1990. This item would revert up to \$500,000 for one local seismic grant that was reappropriated by Item 1760-492, Budget Act of 2003.

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Finally, it is requested that trailer bill language be adopted to reauthorize, on a permanent basis, flexibility that departments currently have related to printing services (see Attachment B).

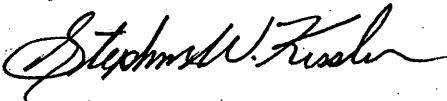
The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jennifer Osborn, Principal Program Budget Analyst, at 445-8913.

DONNA ARDUIN

Director

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for

MICHAEL C. GENEST

Chief Deputy Director

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Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. George Valverde, Undersecretary, State and Consumer Services Agency
Mr. Ron Joseph, Interim Director, Department of General Services
Mr. Jack Barr, Acting Deputy Director, Management Services Division, Department of General Services

DEPARTMENT OF GENERAL SERVICES—PROPOSED BUDGET BILL LANGUAGE

1760-492—Reappropriation, Department of General Services. The balance, as of June 30, 2004, of the funds appropriated pursuant to Item 1760-101-0768, Budget Act of 1994 (Ch. 139, Stats. 1994), as reappropriated by Item 1760-492, Budget Act of 2003 (Ch. 157, Stats. 2003), are reappropriated and shall be available for expenditure through June 30, 2005.

Schedule:

(1) 3116-Richmond, Contra Costa –	
City Hall.....	1,149,975
(2) 3117-Richmond, Contra Costa –	
Hall of Justice	683,613
(3) 4042-Orinda, Contra Costa: Orinda Fire	
Station 44.....	57,671

1760-495—Reversion, Department of General Services. As of June 30, 2004, the unencumbered balances of the appropriation provided for in the following citation shall revert to the balance of the fund from which it was made:

0768—Earthquake Safety and Public Buildings Rehabilitation Fund of 1990

Item 1760-101-0768, Budget Act of 1994 (Ch. 139, Stats. 1994), as reappropriated by Item 1760-192, Budget Act of 2003 (Ch. 157, Stats. 2003)

(1) 4029-Alameda, Oakland Police and Administration	
Retrofit – Oakland	500,000

Proposed language to be added to Item 1760-001-0666, as follows:

Provisions:

XX. On or before July 1, 2004, the Department of General Services shall submit to the Department of Finance and the Legislative Analyst's Office, a report detailing the cost factors reflected in the 2004-05 rates. This report shall include:

- 1) A statement of the department's expenditures and revenues, by function, and an assessment of whether the rates charged for a given function recover the cost of providing the service;
- 2) Information detailing the incremental changes to rates between fiscal years, including the reason for, and aggregate amount of, the change

The Department of Finance shall use this report to review the current methodologies used to set rates and shall provide a report of its findings as part of the 2005-06 Governor's Budget.

XX. Beginning in 2005-06 and each fiscal year thereafter, by August 1, the Department of General Services shall submit to the Department of Finance a proposal that reconciles the current year rates and details any adjustments proposed for budget year rates to be included in the Governor's Budget.

DEPARTMENT OF GENERAL SERVICES—PROPOSED TRAILER BILL

Government Code 14612.2 is amended to read:

"14612.2. (a) Notwithstanding Chapter 7 (commencing with Section 14850) of Part 5.5 of Division 3 of Title 2 of, or Section 14901 of, the Government Code, no agency is required to use the Office of State Publishing for its printing needs and the Office of State Publishing may offer printing services to both state and other public agencies, including cities, counties, special districts, community college districts, the California State University, the University of California, and agencies of the United States government. When soliciting bids for printing services from the private sector, all state agencies shall also solicit a bid from the Office of State Publishing when the project is anticipated to cost more than five thousand dollars (\$5,000).

~~(b) This section shall remain operative only until the effective date of the Budget Act of 2003 or July 1, 2003, whichever is later, and as of January 1, 2004, is repealed, unless a later enacted statute that is enacted before January 1, 2004, deletes or extends the dates on which it becomes inoperative and is repealed.~~

(b) This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are: In order to make the necessary changes to implement the Budget Act of 2004 at the earliest possible time, it is necessary that this act take effect immediately."



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Honorable Darrell Steinberg, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Amendment to Budget Bill Item 1880-001-0001 and Reimbursements, Support, State Personnel Board

It is requested that Item 1880-001-0001 be amended by reducing Reimbursements by \$157,000 to reflect the discontinuation of funds provided by the Department of Rehabilitation for the Limited Examination Appointment Program.

It is also requested that 1.0 position eliminated pursuant to Government Code Section 12439 be restored.

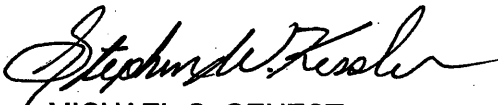
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Ms. Julie Sauls, Chief Consultant, Assembly Republican Leader's Office
Mr. George Valverde, Undersecretary, State and Consumer Services Agency
Ms. Joan Allison, Chief, Administrative Services Division, State Personnel Board